

### Summary

The Dominican market for prefabricated housing and buildings was estimated at US\$31 million in 2004. Total imports reached US\$30 million of which U.S. suppliers sold US\$6 million. Other suppliers are Spain, Brazil, Mexico and Colombia.

In the Dominican market, prefabricated housing is associated with low-income segment of the population. This type of housing has been traditionally used by the Government to provide housing to families, especially after natural catastrophes (hurricanes and floods). This type of housing is perceived as utilitarian. Other uses are for temporary location of personnel in different industrial and building sites.



U.S. manufacturers of prefabricated housing systems have not been very successful entering into the Dominican market. The prevailing construction method in the Dominican Republic is cement and block, however there is a great need for quicker and cheaper housing for the low-income population, this fact may offer a opportunity to U.S. companies in the sub-sector.

If U.S. and Dominican Congresses ratify CAFTA-DR, upon implementation of the agreement prefabricated buildings would access the Dominican market duty-free. U.S. companies in the sub-sector should closely monitor the status of the Free Trade Agreement (CAFTA-DR).

The local construction sector is open to foreign companies interested in selling their products in the Dominican market. U.S. products in general are perceived by end-users to be of the best quality. There are several methods for U.S. exporters to enter the Dominican market. One can use locally appointed distributors, a wholly-owned subsidiary, joint venture partners, or Dominican importers and wholesalers who also own retail outlets.

Information contained in this report relies heavily on sources that may include various Dominican government publications, opinions of industry experts, trade publications, and unofficial U.S. Embassy estimates.



### Market Overview

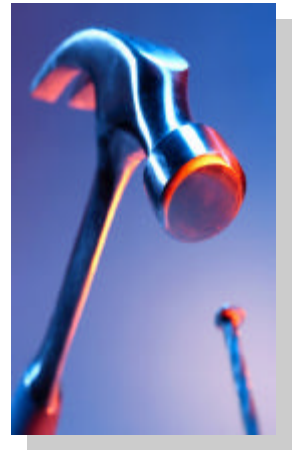
The construction activity, after remarkable growth in past years, experienced dramatic decrease from 2002 to 2004. The sector ended with a negative growth of -6.3% in 2004. Nevertheless, experts in the sector expect that the construction industry will emerge as one of the leading sectors in the Dominican economy in 2006, depending on the ability of the Dominican Government to solve the current economic crisis.

The Dominican Republic's homebuilding techniques and materials used differ from those used in U.S. In the Dominican Republic,

houses in the city are primarily made of cement and block. For commercial and apartment buildings metal structures, steel beams, and concrete structures are mainly used.

In rural areas, where incomes are extremely low, houses are commonly made of wood and aluminum roofs. However, in 2004, more than 2000 prefabricated houses were built when a river flood wiped out a rural community close to the Haitian border.

In 2003, U.S. exports of prefabricated buildings to the Dominican Republic reached US\$9.7 million due to special circumstances: the Dominican Republic hosted the 2003 Panamerican Games and many of the sport facilities were prefabricated structures; in addition, a green house project was initiated by the Government for which prefabricated buildings were used.



## Market Trends

The US\$31 million prefabricated building market is considered small, and is not projected to grow in the next few years, in fact it decreased seven percent from 2003 to 2004. The government has announced the construction of low-budget housing programs that would include some prefabricated components, however as this writing no bid process or details has been announced by the Government of the Dominican Republic (GODR).

Construction still follows the traditional system used in the Dominican Republic, i.e. concrete and blocks, tiles, metal structures, etc. Local companies, when building industrial compounds or commercial buildings, try to ensure low-cost and rapid completion by using prefabricated metal and concrete structures.

## Import Market

Total imports of prefabricated housing and commercial buildings reached US\$30 million in 2004. The U.S. is the third largest foreign supplier, with 20 percent market share. Major competitors are Spain and Brazil.

End-user receptivity to U.S. products/services in Dominican Republic is high; however the Dominican market is extremely price sensitive, and price continues to be the principal factor in selection.



## End-Users

The Dominican Republic's end users for prefabricated buildings are composed mainly of construction companies contracted by the Government, or when developing private projects. The prefabricated houses are mostly used when there is an initiative of the GODR to provide housing to low-income families.

The few local importers and distributors of prefabricated housing and commercial buildings indicated that the U.S. manufacturers and suppliers have an excellent reputation for supplying well-engineered products.

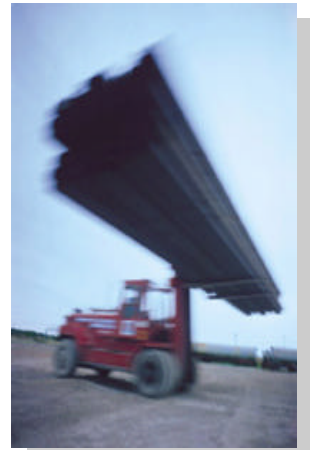
Construction outside of Santo Domingo and Santiago, the Dominican Republic's second largest city, is not growing at a considerably rapid pace, probably because of the Dominican economy's recession. Although in La Romana, Puerto Plata and Higüey, there is some demand for construction because of the Free Trade Zones and tourism.

## Market Access

The general import climate for the Dominican Republic is still relatively favorable. There are no major trade barriers for the importation of prefabricated buildings. The dollar exchange rate is responsive to market forces.

There are no regulations for the enforcement of quality, technical, or safety standards. U.S. standards are currently accepted and respected by the purchasing entities.

Although the import tariff rate for this kind of equipment varies between zero to 20 percent over the CIF value, the effective tax rate can go over 40 percent. This is a result of the application of other taxes such as the 16 percent value added tax (ITBIS), and the exchange surcharge tax of 13 percent.



## Direct Imports Costs Template

Base Price	US\$100.00
Exchange to pesos (US\$1.00=RD\$28.56*) (*) Official Exchange rate at Dominican Customs 5/10/05	RD\$2,856.00
Freight & Insurance (average 8%)	RD\$228.48
Dutiable Base = CIF in RD\$ pesos	RD\$3,084.48
20 percent Duty Rate (**Arancel)	RD\$616.90
- Exchange surcharge 13 of CIF	RD\$400.98
VAT Base	RD\$4,102.36
VAT=ITBIS 16 percent	RD\$656.38
	RD\$4,758.74
Freight Forwarders fees (1.5% on CIF)	RD\$46.27
Bank Charges: - Draft of letter of credit 2% of CIF	RD\$61.69
Landed Cost	RD\$4,866.70 US\$170.40

(\*\*) All taxes are collected in Dominican pesos.

Before appointing an agent or distributor in the Dominican Republic, or registering a firm as a foreign investment, U.S. firms should seek legal counsel, and are advised to become familiar with the Dominican Agents and Distributors Protection Law (Law 173 dated April 6, 1966). Interested companies may also request a copy of Law 173 from the U.S. Commercial Service at the U.S. Embassy in Santo Domingo.



## Key Contacts

The Dominican Chamber of Construction (CADOCOM), along with the Dominican Association of Engineers and Architects (CODIA) are the largest and most important associations in the industry. Both associations promote, develop, and support building activity in the Dominican Republic. They have over a thousand members, including: construction companies, manufacturers of building products, contractors; architectural and engineering firms; building products distributors; and retailers.

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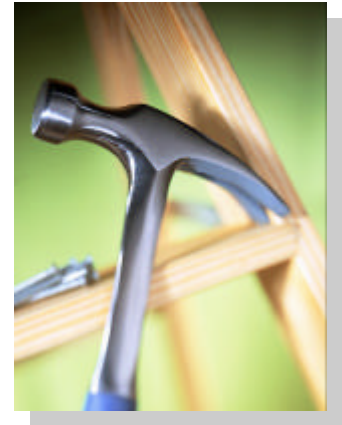
### **Colegio Dominicano de Ingenieros, Arquitectos y Agrimensores (CODIA)**

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For information on our products and services please visit our website  
[www.buyusa.gov/caribbean](http://www.buyusa.gov/caribbean) .

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